Pathmark Stores, Inc.

Cigarette Merchandising Proposal

Presented By

R. J. Reynolds Tobacco Company

July 1996

51847 3820

Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

Confidentiality

All information contained in this presentation is intended solely for the use of Pathmark Stores Inc. and the R. J. Reynolds Tobacco Company.

Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

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Discussion Points

- RJR Merchandising Background
- Volume Trends
  - RJR/Background
  - National, Metro Market, Plainbridge, Competition
  - Weekly Carton Volume Vs. Competition
- Issues
- Merchandising Proposal
- Financial Impact

Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

Background

- RJR Placed 100 "Wraparound" Pack/Promotional Merchandisers and 125 "Lane Blockers" in Pathmark Stores in January 1994.
- Pathmark entered into an "Exclusive" Merchandising Agreement with Philip Morris in early 1995. All RJR Merchandisers were removed.
- RJR made a merchandising proposal during 4th Quarter 1995:
  - Secondary space on all Philip Morris Carton Setups.
  - Placement of a small RJR Pack/Promotional Merchandiser in all stores that sell single packs self-service.
  - Payment $ 185 per store per month
- The RJR proposal was rejected in January 1996 due to its Pack/Promotional Merchandiser requirement conflicting with the Philip Morris Exlcusive Contract.
- RJR ceased all carton and pack promotions in January 1996 due to its National Merchandising Policy in Philip Morris Exclusive Merchandising Accounts.

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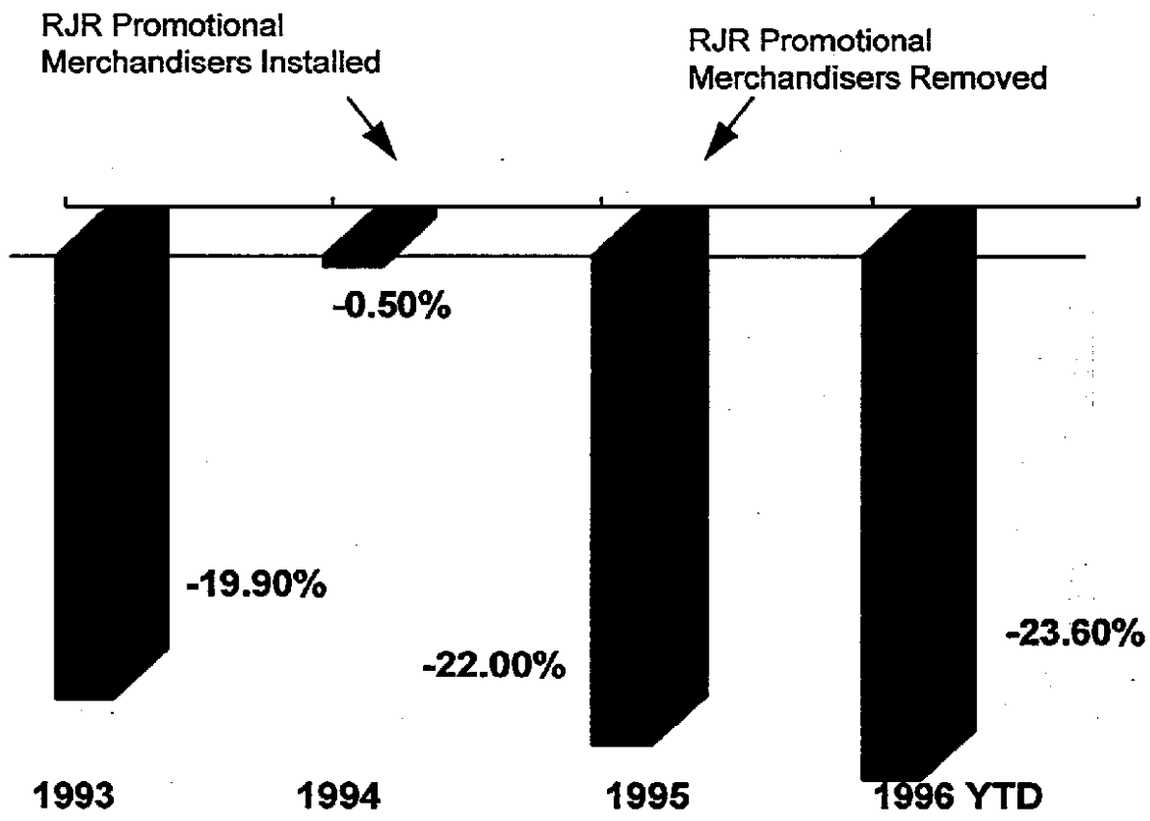
RJR Case Volume Trend
1993-1996 YTD



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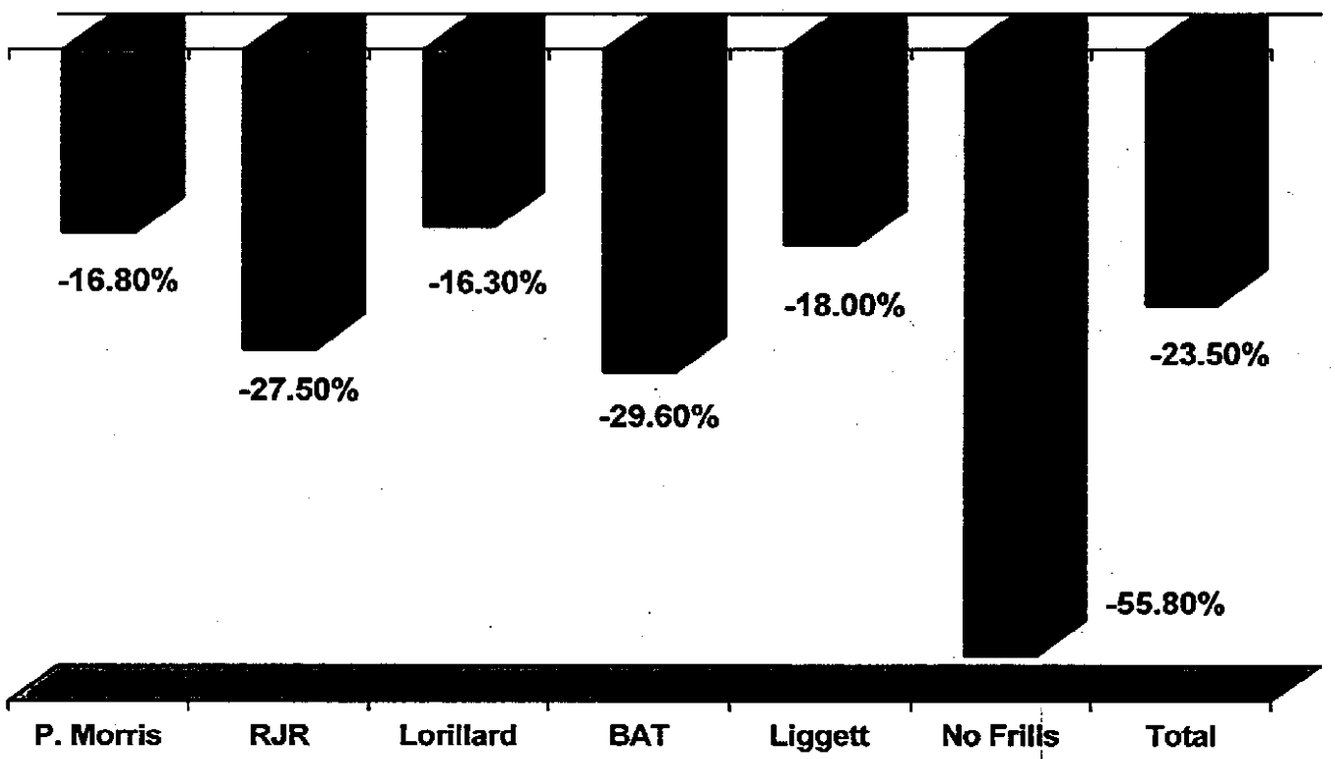
Plainbridge Inc.
Cigarette Manufacturer Volume
Cartons Shipped To Stores
!st Half 1995 Vs 1st Half 1996



Source: RJR AIM Data

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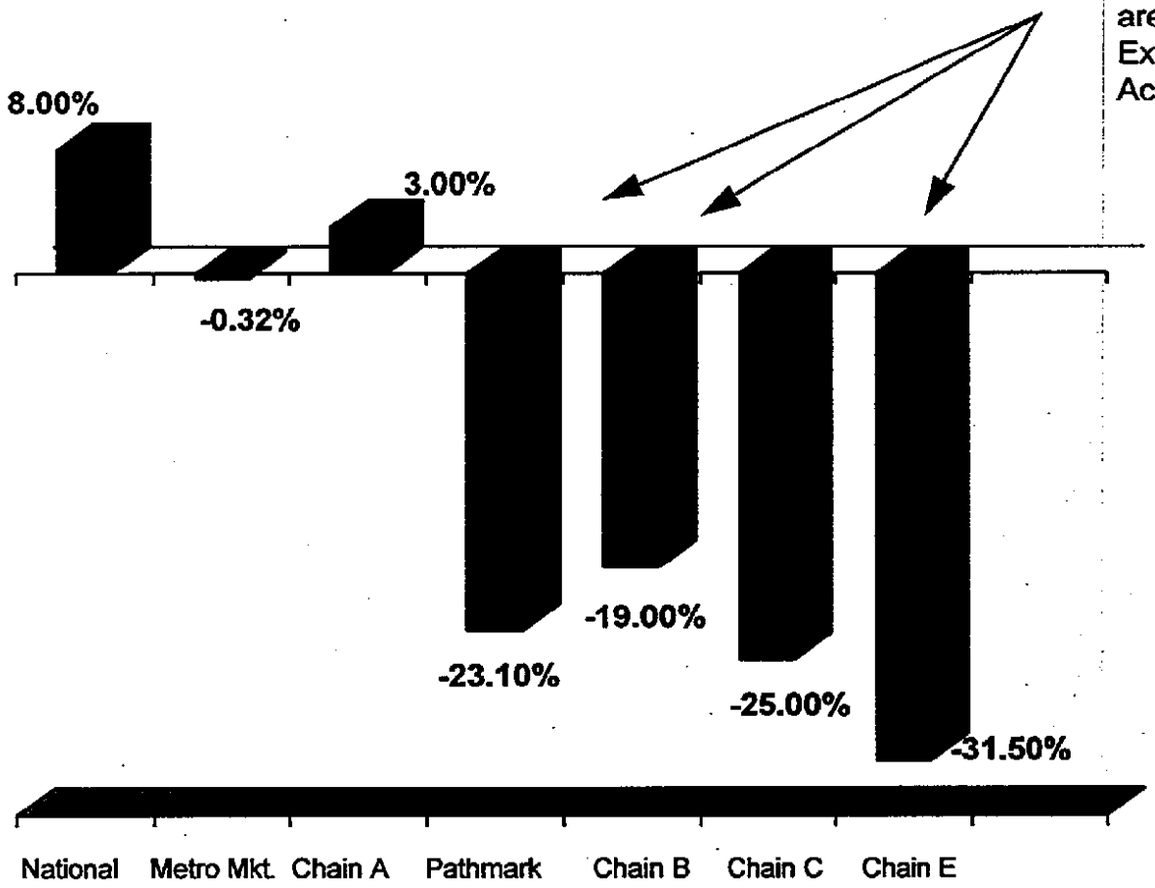
Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

Cigarette Volume Trends
1996 Year to Date
(Vs. 1995)



Source: RJR AIM, and MSA Data

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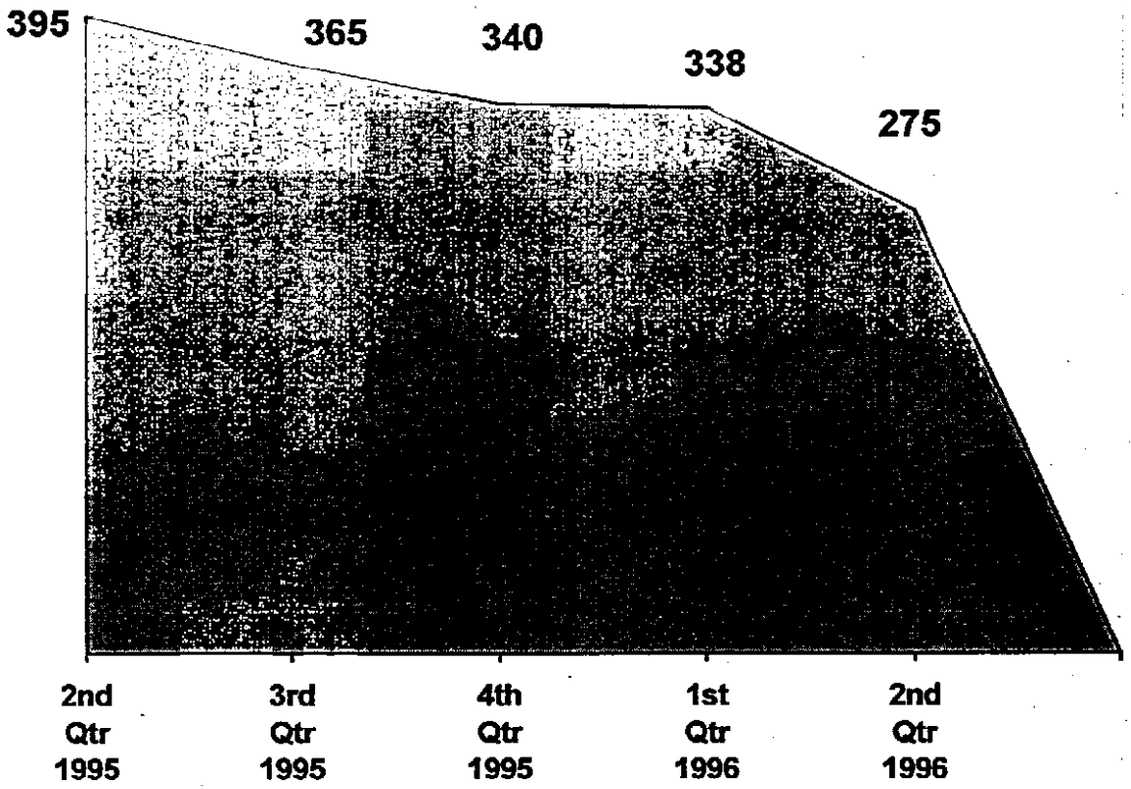
Pathmark Stores
Weekly Carton Volume
(per store average)



Source: RJR AIM Data

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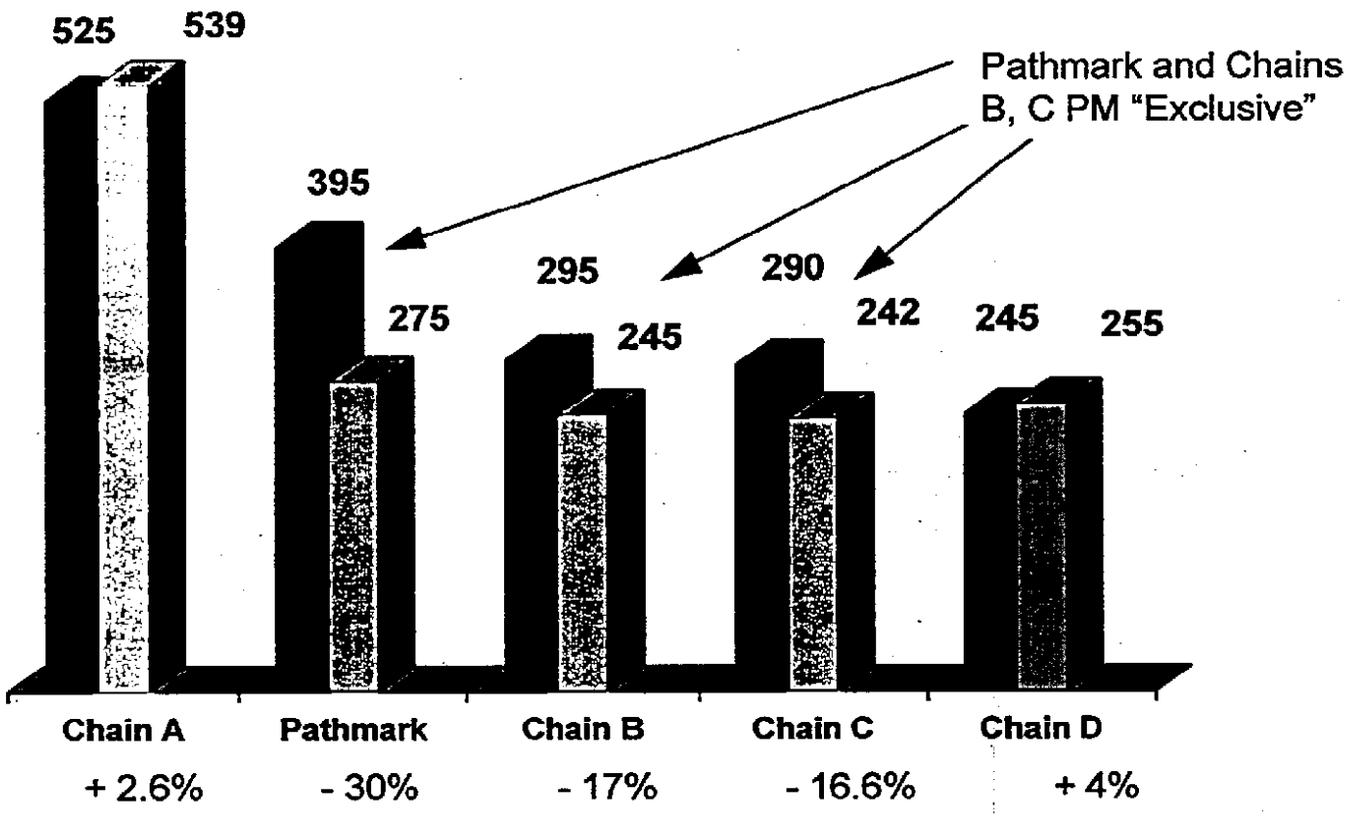
Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

Weekly Cigarette Carton Volume Trend
Metro Market Supermarkets
2nd Quarter 1995 Vs. 2nd Quarter 1996

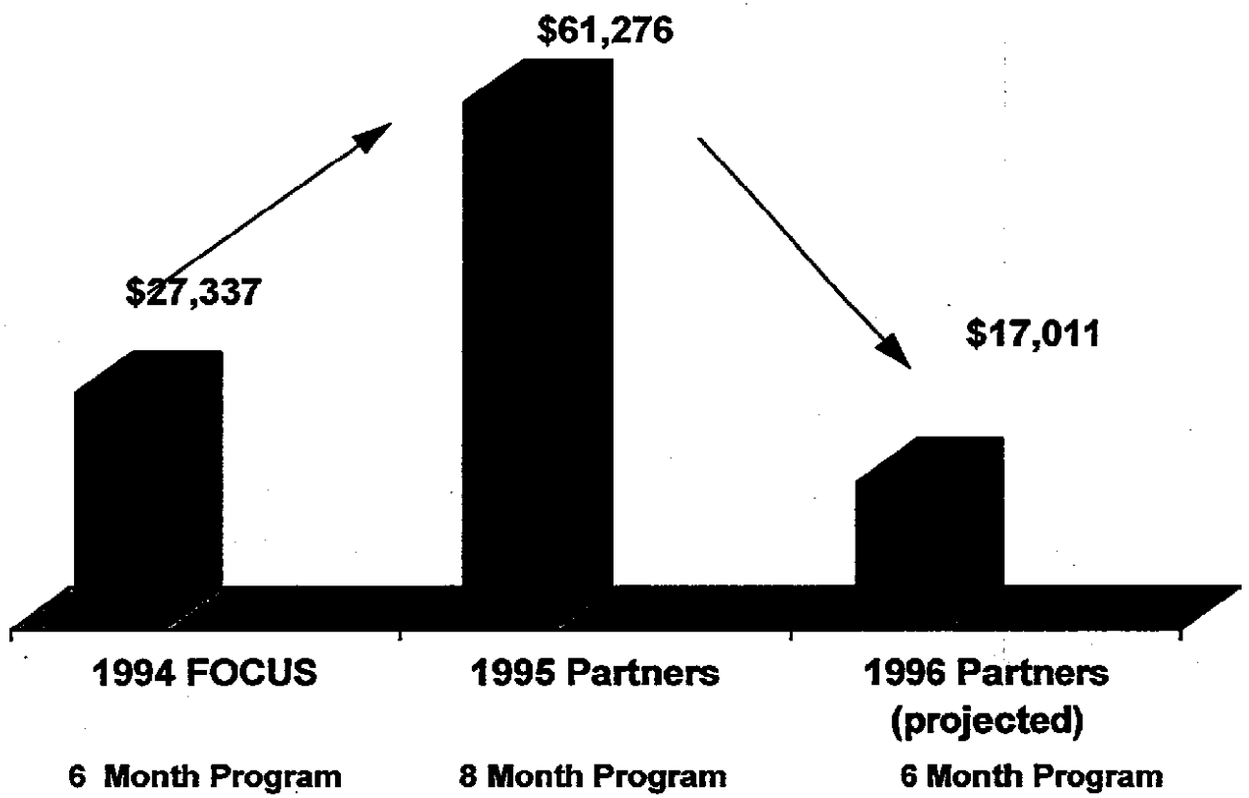


Note: 2nd Quarter 1996 estimated based on current volume trend.

Source: RJR AIM Data

Source: https://www.industrydocuments.ucsf.edu/docs/sfxy0000

Plainbridge Inc.
R. J. Reynolds Tobacco Company
Direct Purchase Incentive Program Performance
1994-1996



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Issues

- RJR's case volume in Pathmark has continued to decline since removal of Pack/Promotional Merchandisers and Lane Blockers in early 1995.
- The RJR case volume and share decline adversely affects the ***Partners Program.***
  - Payments based on RJR Share Growth or maintenance.
  - Payment made on cartons purchased during Program Period.
- Pathmark's Cigarette Category volume is also declining.
- How much of the decline is related to customers going to other retail outlets to purchase cigarettes?
  - Are these customers also purchasing other products?

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Proposal

- Place RJR Brands in a secondary position on all Carton and Package Merchandisers in Pathmark Stores.
  - **25% of total carton space**
  - **25% of total pack facings**
- On Philip Morris "Wraparound" Merchandisers place two (2) rows of RJR Packs on the front section under PM Brands.
- RJR to place multi pack promotions on the bottom section of the "Wraparound" Merchandiser.
- RJR to place temporary floor displays featuring pack and carton consumer promotions. One display per Quarter. Minimum of 50 stores. Displays to be placed for a two (2) week period.
- Monthly payment of $ 125 per store. Payments made quarterly.

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Financial Impact

Factors

- 15% increase in RJR case shipments (18 cases per week)
- RJR Promotions in all stores with promotional capability.
  - Available RJR Local Promotional Funding
- RJR ***Retail Partners Contract*** in 100 stores.
  - RJR Retail Accrual Fund available for promotions.
- Increased ***Wholesale Partners Program*** Payout

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Additional RJR Cartons Sold Annually	56,160
Available RJR Promotion Funding - (Local Allocation)	$ 225,000
RJR ***Retail Partners*** Retail Accrual Fund	$ 43,200
RJR ***Retail Partners Program*** Annual Payments	$ 150,000
RJR ***Wholesale Partners Program*** Payout (Annual)*	$ 86,112
Total Program Value	**$ 504,312**

* ***Wholesale Partners*** estimated payout based based on $.20/carton.

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